

Governmental Entities

Sales and Use Taxes

Effective July 1, 2006

For more information, check our
Web site: www.revenue.ne.gov



The purpose of this information guide is to explain the sales and use tax responsibilities of governmental units. This guide is revised periodically to reflect statutory changes. Contact the Nebraska Department of Revenue to ensure you are using the most current issue. This guide does not address school districts, colleges or universities. Refer to Nebraska Sales and Use Tax Regulation 1-092, for information on educational institutions.

Overview

The following governmental entities are exempt from payment of sales and use tax:

- ✓ The U.S. Government and its agencies;
- ✓ The State of Nebraska;
- ✓ A Nebraska county, county fair board or county library;
- ✓ A Nebraska city, village, or township ******(see exception below);
- ✓ A Nebraska municipal library;
- ✓ A Nebraska irrigation or reclamation district;
- ✓ A Nebraska rural or suburban fire protection district;
- ✓ A Nebraska natural resource district;
- ✓ A Nebraska city, county, or joint airport authority;
- ✓ A Nebraska drainage district;
- ✓ An elected Nebraska County Fair Board; and
- ✓ Housing authorities.

****Exception:** Purchases by governmental entities, except those by a Nebraska irrigation or reclamation district, for use in providing electricity, gas, heat, or water are taxable (See Joint Use of Facilities below). In addition, purchases by **volunteer fire departments** are taxable.

Governmental Entities That Are NOT Exempt From Sales and Use Tax

All governmental entities not listed above must pay tax. Governmental entities that must pay tax include, but are not limited to:

- County agricultural or historical societies;
- Railroad transportation safety districts;
- Rural water districts;
- Sanitary and improvement districts;
- Organizations using funds or grants from governmental entities;
- Governmental units of other states; and
- Weed districts.

Joint Use of Facilities

If a governmental entity uses a piece of equipment in more than one department, the purchasing department's tax status will determine if tax is due on the purchase. For example, a purchase of a truck by the sewer department is exempt, even though the truck will also be used by the water department.

If the property purchased is paid for jointly by a taxable department and an exempt department, tax will be due on the portion paid by the taxable department.

When a city or other governmental unit uses the general fund to purchase equipment which will be used by different departments, tax is due on the amounts reimbursed from the funds of the departments which are not exempt from tax.

Charges made between departments for joint use of facilities, such as duct space or pole space, are exempt.

Documentation of Exempt Purchases

Federal. Sales to the U.S. Government or its agencies, must be supported by either a federal certificate of exemption or payment with a U.S. Treasury warrant.

Purchases made with the following federal government issued credit cards are exempt from tax as the charges are billed directly to the federal government:

VISA card containing an account number that begins with the numbers 4486 or 4716 and the sixth digit is either a 0, 6, 7, 8, or 9. MasterCard containing an account number that begins with the numbers 5568 and the sixth digit is either 0, 6, 7, 8 or 9. Voyager card that contains an account number beginning with the numbers 8699.

It is not necessary that an exemption certificate be issued in conjunction with the above referenced credit cards.

Purchases made with the above referenced credit cards where the sixth digit is either 1, 2, 3, or 4 are taxable as the government employee is billed directly for the charges.

Persons residing on federally owned military housing areas must pay tax on all purchases delivered to their residences from private vendors.

State or Local. Sellers making exempt sales to a state or local governmental entity, must obtain a properly completed Nebraska Resale or Exempt Sale Certificate, Form 13, with section B completed. No exemption number is required from these entities.

Purchases made directly by employees of the state or local government are taxable, even though the employee will be reimbursed for the expenses incurred.

Construction Contracts

The sales and use tax exemption only applies if the governmental entity is, either directly or through its contractor, purchasing the materials annexed to real estate and the annexed property is

owned by the governmental entity or will become the property of the governmental entity after it is completed. Governmental entities may purchase the building material tax-free by either of two methods:

- ✓ The governmental unit purchases all building materials tax free by issuing the supplier a Nebraska Resale or Exempt Sale Certificate, Form 13, with section B completed; or
- ✓ The governmental entity appoints the contractor as a purchasing agent using the Purchasing Agent Appointment and Delegation of Authority for Sales and Use Tax, Form 17. The Form 17 must be issued prior to annexation of materials by the contractor. The contractor or subcontractor will then provide an exempt sales certificate (Form 13) and a copy of the purchasing agent appointment (Form 17) to its suppliers.

If the contractor pays tax on building materials used in the completion of a contract for a governmental entity, the entity, other than the U.S. Government and the State of Nebraska, may obtain a refund of such taxes paid. A refund is applied for by filing a Claim for Overpayment of Sales and Use Tax, Form 7.

During the course of developing property, a contractor may be required to make public improvements without charge to an exempt governmental entity. The governmental entity cannot issue a Form 17 to the contractor/developer. The contractor/developer is required to pay tax on purchases of materials used in the construction of such improvements.

The contractor must pay tax on all tools and supplies used in the completion of projects with governmental entities.

Sales Made by Governmental Entities

Governmental entities are required to collect tax on their sales of property and services which are subject to tax except where federal law prohibits such collection. If the collection of the tax is prohibited by federal law, the purchaser must pay the tax directly to the Nebraska Department of Revenue.

FOR NEBRASKA TAX ASSISTANCE

For All Tax Programs Except Motor Fuels

Contact your regional office or call **1-800-742-7474** (toll free in NE and IA)

or **1-402-471-5729**

Nebraska Department of Revenue Web site address: www.revenue.ne.gov

A copy of the Taxpayer Bill of Rights is available by calling any of our regional offices or visiting our Web site.

SCOTTSBLUFF

Panhandle State Office Complex
4500 Avenue I, Box 1500
Scottsbluff, Nebraska 69363-1500
Telephone (308) 632-1200

NORTH PLATTE

Craft State Office Building
200 South Silber Street
North Platte, Nebraska 69101-4200
Telephone (308) 535-8250

GRAND ISLAND

TierOne Bank Building, Suite 460
1811 West Second Street
Grand Island, Nebraska 68803-5469
Telephone (308) 385-6067

NORFOLK

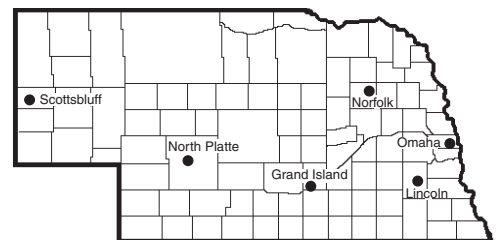
304 North 5th Street, Suite "D"
Norfolk, Nebraska 68701-4091
Telephone (402) 370-3333

OMAHA

Nebraska State Office Building
1313 Farnam-on-the-Mall
Omaha, Nebraska 68102-1871
Telephone (402) 595-2065

LINCOLN

Nebraska State Office Building
301 Centennial Mall South
Lincoln, Nebraska 68509-4818
Telephone (402) 471-5729



For Motor Fuels tax programs only call toll free 1-800-554-3835 (Lincoln residents call 471-5730).

Hearing-impaired individuals may call the Text Telephone (TT) at 1-800-382-9309. TDD (Telecommunications Device for the Deaf) is designated by the use of "TT," which is consistent with the Americans with Disabilities Act.